

Around the Globe

Talking Turkey About SCGP

By Robert Hanson

Despite the importance of the GSM-102 program in Turkey, interest has been increasing in the Supplier Credit Guarantee Program (SCGP).

In Turkey, GSM-102 is king, financing 85 percent of eligible food and agricultural imports from the United States in a typical year, with usage averaging \$350 million per year over the past four years. The importance of the GSM-102 program in supporting U.S. agricultural exports cannot be overstated—especially in Turkey's current economic crisis.

This crisis has also generated interest in the SCGP. Many small companies have used the program, and discussions with these companies and prospective future users have shed some light on the program's benefits.

Since the economic crisis began in the spring of 2001, it has become very difficult for some smaller companies to open letters of credit with local banks. Those that are able to open letters of credit face relatively high transaction costs and shortened repayment terms. The cost of opening a letter of credit and obtaining the associated documentation can be as high as 3 to 4 percent of the transaction. For smaller companies and relatively small transactions, this is too expensive.

To avoid these costs, many companies have historically traded on a cash basis. But cash trading—in addition to the greater risk it poses for suppliers—has also been made more difficult in the current economic environment, since importers' customers are also asking for delayed payment terms.

The SCGP is perfectly suited for these conditions, because it:

- reduces the risk born by U.S. suppliers who would otherwise sell on an open account;

- reduces transaction costs for importers; and
- allows importers a repayment term of up to 180 days, which allows them to extend necessary credit to their customers.

In Turkey, the SCGP has been used by small- and medium-sized companies for all sorts of products ranging from dried beans to lambskins. As yet, the volume of total program use remains low due to economic conditions. However, the FAS office staff in the U.S. Embassy in Ankara are optimistic that interest in, and use of, the program will grow as more importers learn about it during regular company visits, conferences, seminars and trade shows. ■

The author is the agricultural attaché in the FAS office, U.S. Embassy, Ankara, Turkey. Tel. (011-90-312) 468-6129; Fax: (011-90-312) 467-0056; E-mail: agankara@fas.usda.gov; Web site: www.fasturkey.org

